



Queensland University of Technology
Brisbane Australia

This is the author's version of a work that was submitted/accepted for publication in the following source:

Sharam, Andrea, McShane, Ian, [Bryant, Lyndall](#), & de Silva, Ashton (2016)

Are not-for-profit organisations a source of land for affordable housing? – An exploratory study. In *Proceedings from the Pacific Rim Real Estate Society 22nd Annual Conference*, PRRES, Sunshine Coast, Qld.

This file was downloaded from: <https://eprints.qut.edu.au/96912/>

© Copyright 2016 The authors

Notice: *Changes introduced as a result of publishing processes such as copy-editing and formatting may not be reflected in this document. For a definitive version of this work, please refer to the published source:*

<http://www.prres.net/index.htm?http://www.prres.net/proceedings.htm>

ARE NOT-FOR-PROFIT ORGANISATIONS A SOURCE OF LAND FOR AFFORDABLE HOUSING? – AN EXPLORATORY STUDY

ANDREA SHARAM¹, IAN MCSHANE, LYNDALL BRYANT, ASHTON DE SILVA

Swinburne Institute for Social Research, RMIT, Queensland University of Technology, RMIT

ABSTRACT

☐ Purpose

This article canvasses the repurposing of under-utilised assets owned by Not-for-Profit (NFP) organisations for affordable housing provision.

☐ Design/methodology/approach

Exploratory interviews were undertaken with five diverse NFP (non-housing) organisations.

☐ Findings

The research indicates that NFPs who are not principally engaged in housing provision, but hold surplus or under-utilised land and property assets, may be willing partners in affordable housing provision. However a range of institutional and structural barriers would need to be overcome for housing developments to occur on under-utilised NFP land holdings.

☐ Research limitations/implications

The small scale of the study limits generalisation from the research findings. However, the findings point to an opportunity for innovation in housing land supply that warrants larger scale research.

☐ Practical implications

That a source of well-located land is potentially available for future affordable housing provision, but that Not-for-Profit organisations would require resourcing in order to make their land available for this purpose.

☐ Social implications

Well-located land is a major cost input for the provision of affordable housing, and the repurposing of NFP land or assets for affordable housing could make a significant contribution to the stock of social housing.

☐ Originality/value

There has been no research on how NFP organisations view suggestions to repurpose their land for affordable housing despite at least one Australian jurisdiction actively encouraging this outcome. This paper reports the first Australian study of dispositions and barriers to the re-use NFP land assets.

Keywords: Not-for-Profit organisations; affordable housing; land; assets; re-purposing

¹ Email contact: asharam@swin.edu.au

Introduction

It has been widely recognised that the cost of well-located land is a significant barrier to affordable housing production in Australian cities (Yates and Milligan 2007; Hulse et al. 2010; Rowley et al. 2014). The National Affordable Housing Agreement (NAHA) sought to tackle this problem by requiring that signatories to the agreement identify surplus government land that might be repurposed (Council of Australian Governments 2012). The agreement recognised that there are few alternatives to sourcing land with access to services, employment and public transport – thus meeting NAHA’s social objectives - beyond purchasing on the market.

The ACT Government (2012), however, has argued that the land on which many clubs and community facilities operate is under-utilised, offering scope for housing developments. As the ACT government observes, much of this land was originally provided to not-for-profit (NFP) organisations at no or low cost. The ACT government’s Affordable Housing Strategy offers incentives to NFPs to redevelop their sites to include affordable housing. As the ultimate landowner under the ACT’s leasehold system, the ACT government’s approach seeks to balance the need for land with sensitivity to existing use rights.

Unique in Australia at present, the ACT government’s strategy issues a challenge to housing policymakers and NFPs in other parts of Australia. However, wider adoption of this strategy, and indeed the prospects of success in the ACT, is hampered by a lack of research in this area. There are two major knowledge gaps. The first is the absence of reliable quantitative data on land holdings in the NFP sector. The second gap, which is the subject of this article, is a lack of data on how NFP organisations view suggestions or incentives to repurpose their land for affordable housing. Clearly, quantitative data on the location and characteristics of NFP land and property assets is required for sound policy formation in this area. However, policy success is also dependent on the disposition and capacities of the NFP sector.

The Australian community sector has a long history of involvement in affordable housing provision (McNelis and Herbert 2003). We hypothesised that civic organisations, not directly involved with housing provision, but with a broad social service or social justice orientation, also find Australia’s crisis of housing affordability deeply troubling, and are potentially willing to act on such concerns, specifically through repurposing their land assets. To test this, we conducted interviews with a small group of NFPs operating in Victoria.

This article details the study and the interview findings. Section two of this article backgrounds what is known about the nature of land and property assets held by the civic or NFP sector in Australia, and recent policy, infrastructural and social changes that have rendered these assets problematic. Section three presents data from the interviews with NFPs. The interviews showed that while the organisations involved in the study were diverse in character, each respondent saw clear links between their organisation’s mission, their property assets, and housing affordability. However, the interviews revealed a range of challenges and barriers that NFPs confront when considering the management of their assets, especially when it involves decisions regarding under-utilised or redundant property. Conclusions for researchers and policy makers in this field are drawn in section five.

2. Community Assets

The complex processes through which the Australian NFP sector acquired or came to control land and property assets defies brief description. The scant Australian-focused literature on community assets (Lewi and Nichols 2010, McShane 2006) is surprising in light of the significant controversies generated by the disposal of land and property controlled by community or NFP organisations in Australia. Debate over the Uniting Church of Victoria’s proposal in 2013 to sell 56 properties to cover financial losses arising from the

collapse of the Church's new outer suburban Acacia College (Zwartz 2013), has many, if less spectacular, parallels across Australia.

Such actions are the most newsworthy aspect of a wider problem of the ageing, under-utilisation and redundancy of the land and property assets held by the Australian community sector. Acquisition of assets has underpinned the functioning of the community sector and civic life in Australia, however, changing demographics and patterns of civic participation, as well as changing service models and regulatory frameworks, have raised questions about the future of this inventory. At the same time, the increasing value of land controlled by civic organisations, the adoption of a strategic approach to property assets, and the history and mission of civic organisations have intersected to create pressures and ethical dilemmas around asset disposal. As this article details, some NFPs are reluctant to dispose of redundant assets, but see little other option in the face of financial stress or organisational change.

Little is known of the NFP sector's inventory and use of physical assets. This is a significant deficit at a time when Australian governments increasingly rely on the non-government sector for community service provision (Productivity Commission 2010). While data on the NFP sector are patchy (Productivity Commission 2010), it is clear that some civic institutions, particularly membership organisations with branch or parish structures, have significant holdings of physical capital. The Australian Bureau of Statistics (2014) estimates that the NFP sector spent over \$5 billion on land and buildings in the 2012/13 financial year, but also disposed of over \$1.8 billion of capital assets. While this gives some sense of the scale of these assets, it tells us nothing of their productivity.

The deterioration or outright disposal of the NFP sector's physical assets represents a loss of economic, service and social values, often recognised only at the point of imminent loss (Lewi and Nichols 2010). The sale of physical assets can boost balance sheets and help fund or initiate other services. As with the public sector, a strategic property perspective calls for scrutiny of assets that are not fit for purpose. However, the disposal of physical assets may also represent a lost opportunity to realise the mission of civic organisations in new ways, or may conflict with the terms under which assets were acquired in the first place.

Such treatment of NFP property assets also creates policy dilemmas for governments. In addition to usage of crown land, the land holdings of NFPs were often acquired through government grants or concessional direct sales (ACT Government 2012), and have often benefited from local government rate concessions (Productivity Commission 2008). These benefits have staked developments favouring higher income sectors, for example in the disposal of low-income independent living units (housing) in favour of up-market nursing homes (aged care) (McNelis and Herbert 2003). The question at hand, though, is whether the repurposing of property assets for affordable housing is an effective way of realising the broad public good or community welfare rationales that often underpinned grants and concessions. As our case studies reveal, NFPs are keenly aware of legacy, while reflective on the value of innovation.

3. Case Study Analysis

Five diverse NFP organisations in Victoria were interviewed to ascertain the potential nexus between the property assets of NFP organisations and affordable housing provision. We sought to give voice to two major groupings within the NFP sector – civic organisations (for example recreation or faith-based organisations) and community service providers (such as community health services). The interviews were intended to capture anecdotal evidence, and indicate whether a larger research project was warranted and, if so, how that research might be structured.

We obtained data on the nature, uses and strategic outlook of each organisation's asset portfolio, and views on the reuse of those assets for affordable housing, through semi-structured interviews with senior executives

or officials. **Table 1 provides an overview of the case study organisations, locations, assets and issues.** The five organisations were a Melbourne church parish (hereafter referred to as ‘church’), a membership-based statewide community recreation organisation (RO), two mental health services (MHS), one Victoria wide and one multi-state, and one rural health service (RHS) located in western Victoria. Only the church did not have legal ownership of the assets for which it was responsible, although it assumed its property-related decisions would be ratified by the legal entity, a property trust controlled by the wider church. Similarly while the RO ‘branches’ did not have independent ownership or decision-making power in relation to property, their views carried significant weight at ‘head office’. The MHS’ are membership organisations established as Company Limited by Guarantee, and the RHS is incorporated under the Health Services Act 1988 by the Governor-in-Council.

Table 1. Summary of the case study organisations, locations, assets and issues.

Organisation	Established	Location	Assets	Issues
Faith (FO)	19 th c	Metro Melbourne	Churches, Halls, Land, Offices	Shrinking congregation, sacred places, heritage
Mental health service 1 (MHS1)	19 th c	Statewide	Residences, Health Facilities, Offices	Heritage, residential type mismatch to service delivery model
Recreation (RO)	1920s	Statewide	Halls, Recreation Camps, Land, Offices	Shrinking membership, ageing volunteer base, sacred places, ‘fun not business’
Mental health service 2 (MHS2)	1970s	Statewide	Health Facilities, Offices, Land	Client vulnerability in relying on private rental housing
Rural health service (RHS)	1970s	Regional	Health Facilities, Offices, Residences, Land	Housing viewed as supporting community viability not just individuals

The histories of these organisations significantly shape their asset portfolios. Two of the organisations were established in the nineteenth century. One dates from the 1920s, and the final two were established in the 1970s. The longevity of several of the organisations meant that some of their built assets are subject to heritage controls. Four of the five organisations had been through mergers, with subsequent pressure to identify and dispose of surplus assets. The RO had experienced a decline in membership, and a concomitant reduction in the capacity or willingness to maintain the assets, resulting in their under-utilisation or their failure to meet current service needs and regulatory requirements.

Asset types held by the organisations included churches, health and aged care facilities, halls, residences (single and multi-unit), recreation camps, offices and land. The organisations’ options for some sites were restricted by location (one land parcel was located within a park) or covenants attached to bequests. One organisation had sought court rulings to break caveats and free up site uses.

Each informant commented that their organisation had only recently developed a strategic awareness of their physical assets, and in two cases this resulted in the appointment of property managers. Three of the five organisations were still determining what property assets they held, and one organisation had only recently included property assets on its balance sheet. The two mental health services also managed state-owned social housing (DHS 2014), state-owned stock provided by the Victorian Department of Health for residential care, as well as housing owned by third party organisations or individuals. Frequently, older arrangements involving property management or stock transfer came with little formal documentation, which for the MHS’ had resulted in disputes about funding responsibility.

The varied attention to assets meant that not all organisations had an asset management plan. The church informant had worked for some time with the congregation simply to gain agreement to formulate a plan. In part, this was an attempt to make transparent the cost of building maintenance, such as electrical rewiring, required to obtain insurance coverage. This informant suggested resistance to strategic planning in this case was related to concerns about the congregation's decline and the threat of de-consecration of the parish's churches. However, as the RO informant indicated, members of that organisation also treated their property as sacrosanct, evident in their views on exclusive ownership and use. Discussions of the benefits of shared facility arrangements, for example reduced property-related outlays, which are currently encouraged by state and local governments, are difficult to conduct in this setting.

The church and RO assets had been handed down from previous generations, generating a sense amongst current members that they held the assets in trust. Executives of the organisations however did not necessarily share the implication that the contribution and mission of earlier members should be preserved in the historical form. For some informant the focus on assets was viewed as coming at the expense of mission.

The RO leadership had been attempting to convince members of the benefits of new thinking about their ageing and under-utilised assets, and had been exploring the shared use of local government facilities. However, some volunteers with the organisation are deeply attached to the assets, to the point of requesting that their ashes be scattered at particular sites.

Our interviews suggest that the ability to see assets as a means of delivering mission is severely constrained by skills and trust. Professional managers said they had encountered opposition to new organisational practices from members or volunteers. The church informant indicated that parishioners held "a degree" of distrust in the broader church leadership and administration, manifest in a rejection of the expertise and motives of corporate headquarters. Yet the burden of maintaining the assets, meeting regulatory requirements and covering insurance costs consumed a large part of fundraising, taking volunteers and funds away from the primary purpose of the organisation

The distraction of property management led to one of the mental health services concluding that it should not own any property, leaving it free to concentrate on core functions. As a consequence, it was in the process of disposing of all its assets, residential properties and offices. This decision was influenced by the inclusion of a rental payment component in government service agreements with the organisation. The other mental health service specifically identified its assets as an important contributor to its financial stability because revenue from government contracts lagged behind the organisation's cash requirements to deliver those contracts.

This view that assets provide alternative income and/or security for borrowings is significant in light of the typically short duration (1-3 years) of government service agreements with NFPs, which commercial lenders do not regard as an adequate basis for borrowing (Productivity Commission 2010). The three other case study organisations which still held assets, however, shunned debt, even where it was available at zero interest. This supports our contention that, not only are NFP assets often physically under-utilised, their financial value is not optimised.

The key issues explored thus far have been the recognition that specialist skills are required to address both the day to day maintenance and longer term strategic position of assets; the burden of assets with no financial return and declining social returns; and the emotional attachment to some assets: these are special places and not merely utilitarian spaces. In the face of these structural challenges, is it feasible for NFPs that have not been involved in affordable housing provision to make a contribution? In the next section we explore the

relationship between NFP physical assets and affordable housing, from the perspectives of the case study organisations.

4. Responding to housing stress and homelessness

Our interviews revealed deep concern with the impact of declining housing affordability on vulnerable groups in the community, as well as a surprising range of experiences and connections with housing provision. However, the interviews also revealed contrasting strategic approaches, exemplified by the two MHSs. Both of these organisations stressed the importance of stable and appropriate housing for their particular client group. MHS1 chose to retain its property portfolio, partly as a financial strategy, and partly to explore how these assets might fit into contemporary service models. For MHS2, a focus on core service objectives entailed property divestment. Each organisation recognised that their assets were only capable of providing housing for a very small number of people, in the face of a much greater need.

In a policy and service environment based on deinstitutionalisation, the mission of these organisations is to support clients to live in the community. Public housing has been the primary tenure available to this group, but disinvestment in this sector has reduced availability and options. The corresponding increase in community housing has not taken up the demand, leaving private rental as the main housing source with affordability a major problem, especially with affordable inner urban property “as hard as hell to obtain” (MHS2).

The church informant identified property assets on a number of well-located sites. Discussion about using these assets for housing initially arose within the organisation because of the number of insecurely housed international students attending services or pastoral events, who were perceived as being a very isolated group. Housing provision was also raised in relation to ex-prisoners. So while the congregation could identify groups in their community who required assistance the bigger issue remained gaining consensus about rationalising the assets.

The rural health service has property assets on both freehold and crown land. These include residential properties in addition to clinics, aged care, acute care and offices. Some residences were a legacy of an earlier era in which accommodation was tied to staff positions, some dwellings were acquired with a view to expanding the health facility campus, and another house was purchased with state and federal funds to house students on clinical placements. The nexus between housing needs and health needs was explored by this organisation through the potential development of independent living units, but the plan was not financially feasible. Similarly, the health service had also pursued the potential to acquire some public housing units adjacent to the campus, to expand the housing choices available to age pension dependent former farmers to enable them to retire in town rather than further afield.

Population retention in smaller townships is a critical issue for maintaining viable services. The township had few serviced blocks available that would enable new residential growth. The health service had a substantial but undeveloped land holding which it recently sold to the local shire council, with an agreement that the council would service the blocks and sell them, at cost, thus providing substantially cheaper serviced land for people seeking to build their own house.

Four of the five case study organisations, then, had been actively engaged in debate about affordable housing. The fifth, the RO, had not, but they had explored the development of a retirement village on one rural site. When asked about the potential for their prime urban sites to be redeveloped to provide space for both the organisation’s activities and housing for its volunteers, the response was framed in terms of connecting the assets to the organisation’s duty of care to their volunteers.

There are limits to the extent we can generalise from our case studies, and clearly the discussions were steered by our declared interest in exploring the nexus between property assets and affordable housing. Notwithstanding this, we were struck by the resonance of this topic with our informants, and the existing record of engagement of their organisations with the field. We conclude from our interviews that the interest of at least some of the organisations was not framed in hypothetical terms, but around empirical issues of implementation. From the interview data it is clear that some NFP organisations face challenges in convincing their constituents of the merits of change. The forthright message delivered to our informant as the incoming CEO of the RO – “we are not a business, we are here for fun” – makes that clear. However, the ruthlessness showed by the Uniting Church of Australia Synod of Victoria and Tasmania in its 2013 assets sale conceded little to such sentimentality, or provided opportunities for local decision-makers to explore alternative change scenarios.

Barriers to Change

Several key barriers were raised by our informants to the proposition of repurposing of community assets for affordable housing. Three of these were on the supply side: expertise in property development and management, organisational capacity, and development financing. The fourth was on the demand side: the limited financial capacity of buyers or tenants. Implicit in each interview was that the organisations did not have the capacity to fully fund affordable housing provision.

For the RO and church, lack of strategic asset management reflected organisational structures that are ill-equipped to deal with their property portfolios. The RHS and MHSs, as publicly funded and accountable services, have more developed corporate capacity in this area. More fundamentally, though, four of the five organisations had examined the nexus between their assets and affordable housing. Their land was the catalyst, but without further support – in the form of subsidies, development finance and development expertise – its potential was unlikely to be realised.

5. Conclusion

This small exploratory study has clear limitations in terms of its scope, findings and inferences. However, those factors also point to the need for further research in this area. At several points in this article we have discussed the methodological challenges presented by disaggregated data and poor documentation. The nature and extent of NFP property assets that may be available for re-purposing, poses a significant challenge for any mapping exercise. Focusing on a geographical region such as a local government jurisdiction, and correlating sources such as geo-spatial data and council rate books, will assist with developing a quantitative picture. A robust qualitative study would involve a purposive sampling of the sector. This is no easy task in a sector that contains at least 60,000 “economically significant” organizations (Productivity Commission 2010:53).

In summary, though, the ACT government housing strategy, discussed in the article’s introduction, indicates that policy around the re-purposing of NFP physical assets for affordable housing is advancing beyond the research base in this field. The research we present in this article indicates that NFPs who are not principally engaged in housing provision, but hold land and property assets, may be willing partners in such a program. We refer to *partnership* deliberately here. Our interview data suggest that a range of institutional and structural barriers would need to be overcome for housing developments to occur on under-utilised NFP land holdings. These include internal organisational issues relating to mission, change management and organisational renewal. These barriers, though, could be more easily overcome with external partnership support in the area of planning, finance and property development. We put forward below two propositions that could be tested through further research.

The first responds to the different levels of affective or emotional investment in property assets held by the membership organisations and the service providers amongst our informant group. Heywood and Missingham (2010) found in their research on LGA assets that emotion could strongly influence asset strategy. Our research suggested this was clearly the case for the membership organisations, whereas the service providers viewed their assets in more fungible and service-directed terms. In this light, further research may indicate whether developing institutional models such as a land trust that enabled asset retention would find membership support, and local community buy in, for the new land use.

The second proposition suggests that the role of community infrastructure brokers, currently operating at local government level in Victoria to facilitate timely infrastructure delivery in new urban growth areas, could be adapted to work with NFPs in established suburbs. The NFP sector's past record suggests a range of partnership possibilities, involving other NFPs, governments and business organisations (Barraket 2008). Such partnerships would be built around a policy position that acknowledged the value of retaining land in public or community hands, to foster institutional pluralism and innovation, encourage community buy-in, and preserve future policy options.

References

- ACT Government. 2012. *Affordable Housing Action Phase III*, Canberra: Economic Development Directorate.
- Australian Bureau of Statistics. 2014. *Australian National Accounts: Non-Profit Institutions Satellite Account* 5256.0 2012–13, Canberra: ABS. <http://www.abs.gov.au/Ausstats/abs@.nsf/0/C068946BDCA09FAFCA25749B0017A3D4>
- Barraket, J. (ed) 2008. *Strategic Issues for the Not-for-profit Sector*, Sydney: UNSW Press.
- Council of Australian Governments. 2012. *National Affordable Housing Agreement*, Canberra: COAG. <http://www.federalfinancialrelations.gov.au/content/npa/housing/affordable/national-agreement.pdf>
- DHS. 2014. *Housing Provider Framework Lease & Property Management Agreement*, Victorian Government: Melbourne. <http://www.dhs.vic.gov.au/for-service-providers/housing-and-homelessness/community-housing/housing-provider-framework-lease-and-property-management-agreement>
- Heywood, C., Missingham, G. and Kenley, R. 2010. 'Modelling and Managing Affective Psychology in Australian Local Government Facilities', *Facilities*, 28 (3/4): 156-174.
- Hulse, K., Burke, T., and Ralston, L. 2010. *The benefits and risks of home ownership for low-moderate income households*, Melbourne: AHURI.
- Lewi, H and Nichols, D. 2010. *Community - Building Modern Australia*, Sydney: UNSW Press.
- Mason, M. 2010. 'Sample Size and Saturation in PhD Studies Using Qualitative Interviews', [*Forum: Qualitative Social Research*](#), 11(3) Art. 8.
- McNelis, S. and Herbert, T. 2003. *Independent living units: clarifying their current and future role as an affordable housing option for older persons with low assets and low incomes*, Melbourne: AHURI.

- McShane, I. 2006. 'Social value and the management of community infrastructure', *Australian Journal of Public Administration*, 65(4): 82-96.
- PricewaterhouseCoopers 2006. *National Financial Sustainability Study of Local Government*, Sydney: PricewaterhouseCoopers.
- Productivity Commission. 2008. *Assessing local government revenue-raising Capacity*, Canberra: Productivity Commission.
- Productivity Commission. 2010. *Contribution of the Not-for-Profit Sector*, Canberra: Productivity Commission.
- Rowley, S., Costello, G., Higgins, D., and Phibbs, P. 2014. *The financing of residential development in Australia*, Melbourne: AHURI.
- Yates, J and Milligan, V. 2007. *Housing affordability: A 21st century problem*, Melbourne: AHURI.
- Zwartz, B. 2013. 'Uniting Church in bid to raise \$56m', *The Age*, 10 October, <http://www.theage.com.au/victoria/uniting-church-in-bid-to-raise-56m-20131009-2v8r0.html>.